REPUBLIC OF KENYA **EMBU COUNTY GOVERNMENT**

FINANCE & ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

Vision

A prosperous County with Equal Opportunities for all

Mission

To ensure effective resource mobilization and optimization for Wealth and Job Creation

SEPTEMBER 2026

FOREWORD

The Embu County Budget Review and Outlook Paper (CBROP) 2026 has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and the PFM (County Government) Regulations, 2015. The paper reviews the County Government's fiscal performance during the Financial Year (FY) 2025/2026 against the projections contained in the FY 2025/2026 approved budget estimates. It highlights the performance of revenue and expenditure during the period under review, assesses the implications of the fiscal outturn on the County's financial position, and provides an updated economic and financial outlook to inform the Medium-Term Expenditure Framework (MTEF). The Paper also presents economic and financial projections that will guide the preparation of budget proposals for FY 2027/2028 and the subsequent medium-term period.

The Embu County Government's fiscal policy and medium-term budget framework, as outlined in this CBROP, continues to prioritize inclusive, sustainable and resilient development while strengthening prudent and accountable financial management. The implementation of the County Integrated Development Plan (CIDP) 2023–2027 remains central to the County's development agenda, alongside measures to enhance own-source revenue mobilization, improve expenditure efficiency and strengthen service delivery across all sectors.

In the education sector, the County Government will continue to invest in the construction and renovation of Early Childhood Development Education (ECDE) classrooms and kitchens, improvement of sanitation facilities to enhance child safety and well-being and upgrading of Vocational Training Colleges through improved learning facilities and equipment. These interventions are aimed at creating a conducive learning environment and enhancing access to quality skills development opportunities.

In the health sector, the County will continue to strengthen investment in Health Technologies and Products (HTP), specialized medical equipment and health infrastructure to improve the availability, accessibility and quality of healthcare services. Emphasis will also be placed on strengthening health facilities and improving the capacity of the health system to respond effectively to the needs of the County population.

To spur economic growth and create employment opportunities, the County Government will continue to support the development and modernization of markets, establishment and operationalization of aggregation centres and promotion of investment through initiatives such as investor conferences. These interventions are intended to strengthen local enterprises, improve market access and promote a vibrant county economy.

In agriculture, the County will focus on empowering farmers through cooperatives, provision of subsidized farm inputs, strengthening agricultural extension and mechanization services and enhancing value addition. These interventions will contribute towards improved agricultural productivity, food security, household incomes and resilience of farmers to emerging economic and climatic challenges.

In the Lands and Urban Development sector, the County Government will continue to promote orderly urban development and structured growth through implementation of the County Spatial Plan. Priority will also be given to the development and improvement of bus parks, smart markets and housing rehabilitation as part of efforts to improve urban infrastructure and create safe, functional and sustainable settlements.

The County Government will further invest in reliable and affordable water services, environmental conservation and climate change mitigation and adaptation measures. These interventions are intended to enhance access to essential services, protect natural resources and strengthen the County's resilience to climate-related risks. In addition, programmes supporting youth empowerment, sports development and cultural preservation will continue to be strengthened as important components of inclusive social and economic development.

Overall, the CBROP 2026 provides a framework for reviewing the County's fiscal performance, assessing emerging economic and financial developments and guiding resource allocation over the medium term. It lays the foundation for a responsive, inclusive and fiscally responsible budget for FY 2027/2028, with continued emphasis on improving service delivery, strengthening fiscal sustainability and advancing the County's development priorities, particularly in health, agriculture, trade and other key sectors.

Prof. Kinyua N. Kamaria
COUNTY EXECUTIVE COMMITTEE MEMBER, FINANCE & PLANNING

ACKNOWLEDGEMENT

The preparation of the 2026 County Budget Review and Outlook Paper (CBROP) was made possible through the collective efforts, commitment and invaluable contributions of various County departments and entities. We sincerely appreciate all those who contributed their time, expertise and resources towards the successful preparation of this important document.

We acknowledge the able leadership and guidance of H.E. Governor Cecily Mutitu Mbarire, E.G.H., and H.E. Deputy Governor Kinywa Mugo, whose leadership continues to provide direction in advancing the County's development agenda. We also extend our sincere appreciation to the County Executive Committee for their dedicated engagement and valuable input in reviewing and deliberating on the document. Their commitment was instrumental in ensuring that the CBROP reflects the County's priorities and provides a sound basis for planning and budgeting.

Special appreciation goes to the dedicated team from the Department of Economic Planning and budgeting for their tireless efforts and commitment in coordinating and preparing the CBROP in fulfillment of this important statutory requirement. The team worked under the guidance of the CECM for Finance and Economic Planning, Prof. Kinyua Kamaria alongside the Chief Officer for Finance, Mr. Damiano Muthee.

Special recognition goes to the Budgeting and Economic Planning teams led by Director for Budget Mr. Eric Kinyua and Director for Economic Planning Mr. John Mucira Njeru for their dedication, commitment and professionalism in coordinating and compiling the CBROP 2026. In addition, I acknowledge Mr. Boniface Muli Lova, Mr. Katana Ndune, Mr. Linus Mugambi, Mr. Joshua Mwangi, Ms. Catherine Gathee, Mr. Peter Njeru, Ms. Stella Nyaguthii and Mr. Charles Njagi for their technical support and tireless efforts.

We further appreciate all County departments, agencies, stakeholders, and other individuals who provided information, technical input, comments, and guidance during the preparation and review process. Their collective contribution has enriched the document and strengthened its relevance as an important instrument for informing the County's planning, budgeting, resource allocation, and fiscal management.

The successful implementation of the County's development agenda depends not only on the quality of its plans and budgets but also on collective commitment, accountability, prudent use of resources, and effective monitoring of results. We therefore appreciate everyone whose contribution has made the preparation of the 2026 CBROP a success.

Finally, we acknowledge that it is God who gives us the opportunity and strength to serve. May He continue to guide the County leadership and staff in the discharge of their responsibilities and bless the great people of Embu.

Ms. Janet Mukami Githinji
CHIEF OFFICER, ECONOMIC PLANNING & BUDGET

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Abbreviations

AiA	Appropriation in Aid
BROP	Budget Review and Outlook Paper
CBROP	County Budget Review and Outlook Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
FY	Financial Year
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act

EXECUTIVE SUMMARY

The 2026 County Budget Review and Outlook Paper (CBROP) is a key policy and fiscal management instrument that reviews the implementation of the Embu County budget during the 2025/2026 financial year and provides a basis for the formulation of the 2027/2028 financial year budget estimates and Medium Term Fiscal Framework. The CBROP assesses the County's fiscal performance, reviews progress in the implementation of planned programmes and projects, identifies emerging challenges and opportunities, and provides policy directions to guide resource allocation over the medium term. It therefore serves as an important link between budget implementation, policy formulation, and subsequent budget preparation.

The preparation of the CBROP is anchored in Section 118 of the Public Finance Management Act, 2012 and is guided by the constitutional principles of public finance, including openness, accountability, prudent use of public resources and equitable development. The Paper provides a comprehensive assessment of the County's revenue and expenditure performance, fiscal position and implementation of development priorities. It also serves as a performance management tool by highlighting key achievements, identifying implementation gaps and constraints, and proposing measures to strengthen service delivery and improve the efficiency and effectiveness of public expenditure.

During the review period, Embu County Government continued to mobilize and utilize available resources to support the implementation of its priority programmes and projects. Revenue performance remained an important component of the County's fiscal management efforts, although revenue targets were ambitious and the timely release of exchequer funds continued to affect the pace of implementation of some programmes and projects. Despite these challenges, the County Government sustained its focus on priority areas aimed at improving the welfare of residents and promoting socio-economic development.

Health and water connectivity remained key priorities in supporting human capital development and laying a foundation for sustainable economic transformation. The County also continued to invest in infrastructure, particularly the improvement and maintenance of the road network, to enhance connectivity, facilitate movement of people and goods and support economic activities. Agriculture and trade continued to receive attention as key productive sectors, given their contribution to employment, household incomes, food security, enterprise development and the overall growth of the county economy.

The 2026 CBROP further examines the County's fiscal and economic performance within the prevailing national and global economic environment. It considers the effects of macroeconomic developments as well as political, social, environmental and technological factors on the County's development and service delivery. The analysis provides an outlook of the economic and fiscal environment and identifies opportunities and risks that are likely to influence the County's resource mobilization, expenditure management, and development priorities during the medium term.

The Paper also outlines policy and strategic directions to guide the County Government in addressing emerging challenges, strengthening fiscal responsibility, enhancing own-source revenue, improving expenditure efficiency, and ensuring timely implementation of programmes and projects. These policy directions provide a framework through which departments, county entities, private sector actors, development partners, and other stakeholders can align their interventions with the County's development priorities and aspirations.

Despite the challenging operating environment, the commitment of the County Government to maintaining continuity in service delivery and implementing development programmes remains central to achieving inclusive and sustainable growth. The 2026 CBROP therefore reaffirms Embu County Government's commitment to prudent financial management, effective utilization of public resources, improved service delivery, accountability, and equitable socio-economic development. It provides a firm basis for the formulation of the 2027/2028 budget and strengthens the County's medium-term fiscal and development planning framework.

I. INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) is a critical document prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its accompanying regulations. It provides a comprehensive review of the County's financial performance for the previous financial year, including an assessment of the extent to which the County complied with the financial objectives and principles set out in the PFM Act.

The Embu County 2026 County Budget Review and Outlook Paper (CBROP) is prepared to give a comprehensive assessment of Embu County's fiscal performance for the Financial Year 2025/26. It evaluates the extent to which the County adhered to the objectives and principles established under the Public Finance Management (PFM) Act, 2012. The review assesses the implementation of budgetary allocations and planned targets, with particular emphasis on efficiency, accountability, transparency, fiscal discipline and effective utilization of public resources. The findings provide important lessons for strengthening financial management and service delivery and form a basis for the preparation of the FY 2027/28 budget and the formulation of future fiscal policies.

The 2026 County Budget Review and Outlook Paper (CBROP) will also guide the preparation of the FY 2027/28 budget, including the prioritization of programmes and projects to be implemented over the medium term in accordance with the County Integrated Development Plan (CIDP) 2023–2027.

1.1 Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

(1) A County Treasury shall:

(a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify:

(a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) Information on:

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall:

(a) Arrange for the Paper to be laid before the County Assembly; and

(b) As soon as practicable after having done so, publish and publicize the Paper.

1.2 Fiscal Responsibility Principles in the Public Finance Management

The Public Finance Management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudency and transparency in the management of public resources;

1) The County Government's recurrent expenditures shall not exceed the county government's total revenue.
2) Over the Medium Term, a minimum of thirty percent of the county government's budget shall be allocated to the development expenditures.
3) The County Governments' expenditures on wages and benefits for its public officers

shall not exceed a percentage of the county government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.

4) Over the Medium Term the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
5) The county debt shall be maintained at sustainable level as approved by county assembly.
6) The fiscal risks shall be maintained prudently; and
7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

1.3 Objective of the County Budget Review and Outlook Paper 2026

The County Budget Review and Outlook Paper (CBROP) 2026 is prepared annually in accordance with Section 118 of the Public Finance Management Act, 2012. The CBROP 2026 provides a comprehensive review of Embu County's fiscal performance for the Financial Year 2025/2026 and presents an updated macroeconomic and fiscal outlook to inform the preparation of the FY 2027/2028 budget and the Medium-Term Budget Framework.

Specifically, the objectives of the CBROP 2026 are to:

i) Review the fiscal performance of Embu County for the FY 2025/2026, with particular focus on revenue performance, expenditure, and overall budget execution.

ii) Compare actual fiscal outcomes with the approved budget estimates and assess the extent of budget implementation, including the factors contributing to significant variances between planned and actual revenue and expenditure.

iii) Provide an updated macroeconomic and fiscal outlook based on prevailing economic conditions, emerging trends, national economic policies, and realistic revenue projections.

iv) Establish indicative expenditure ceilings to guide the preparation of the FY 2027/2028 Medium-Term Budget Estimates and subsequent years of the Medium-Term Expenditure Framework.

(v).Inform the review and prioritization of programmes and projects in line with the Embu County Integrated Development Plan (CIDP) 2023–2027, the Annual Development Plan,

sector priorities, and other emerging policy priorities.

vi). Assess progress in the implementation of the County Government's development priorities and identify areas requiring enhanced resource allocation, improved efficiency, or corrective measures.

vii**)** Strengthen fiscal discipline and sustainability by identifying fiscal risks, emerging financial pressures, and measures required to ensure prudent management of public resources in accordance with the fiscal responsibility principles under the Public Finance Management Act, 2012.

1.4 Organization and Objectives of the County Budget Review and Outlook Paper

The structure of the 2026 County Budget Review and Outlook Paper (CBROP) is organized to provide a clear and comprehensive assessment of the County's fiscal position and economic outlook.

Section I provides an overview of the CBROP, including its purpose, objectives, legal and policy framework.

Section II focuses on the Fiscal Performance Review for FY 2025/26. It provides a detailed assessment of budget execution and compares actual performance against the fiscal objectives and targets set out in the 2026 County Fiscal Strategy Paper (CFSP). The section identifies significant deviations from planned targets, examines the factors contributing to the variances, and highlights their implications for future budgeting and policy formulation. The review is intended to strengthen fiscal discipline, improve financial management and support effective service delivery in the subsequent financial year.

Section III: Recent Economic Developments and Outlook: This section presents an assessment of recent developments in the county, national and global economy, highlighting key macroeconomic trends and their implications for Embu County's revenue performance, expenditure, development priorities and financial planning. It also provides an outlook for economic performance over the near and medium term.

Section IV: Proposed Resource Allocation Framework: This section sets out the proposed framework for allocating resources for the FY 2027/28 and the medium term. It outlines the proposed distribution of available resources across sectors, taking into account the County's development priorities, fiscal capacity and the sector ceilings proposed in the 2026 CBROP.

Section V: Conclusion: This section summarizes the key findings arising from the fiscal performance review and economic outlook and presents the key recommendations and the way forward for budget preparation, resource allocation and financial management.

2. REVIEW OF FISCAL PERFORMANCE FOR FY 2025/26

A. FY 2025/26 Fiscal Performance

2.1 FY 2025/2026 FISCAL PERFORMANCE IN RELATION TO FINANCIAL

OBJECTIVES AND FISCAL RESPONSIBILITIES PRINCIPLES

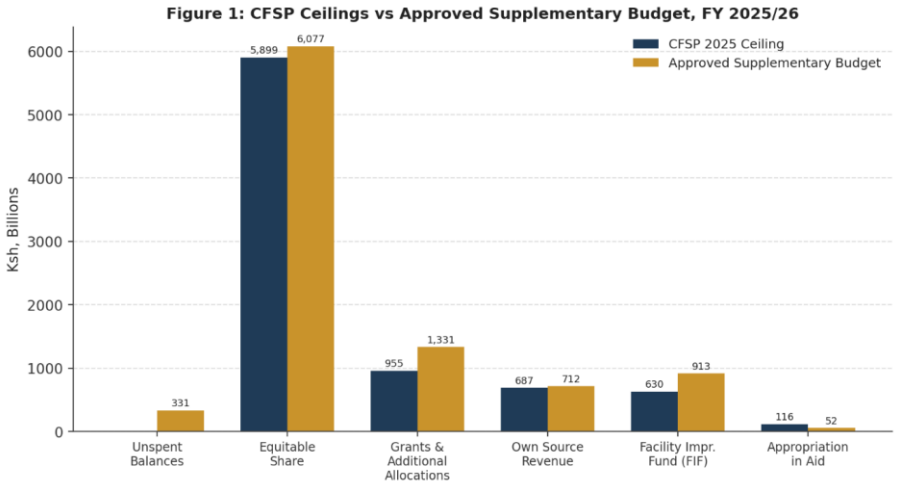
The County Fiscal Strategy Paper (CFSP) is a key budget document prepared by The county reasury under Section 117 of the Public Finance Management (PFM) Act, 2012. It outlines the total resource envelope and spending limits for sectors and programs for the upcoming financial year and medium term. The Embu County Fiscal Strategy Paper (CFSP) 2025 set out the policy goals and priority development areas and departmental ceilings that shaped the FY 2025/26 supplementary budget estimates. Table 2.1 below compares the ceilings proposed in the CFSP against the amounts subsequently approved in the supplementary budget, highlighting where allocations were revised upward or downward during the budget-making process.

Table 1: Comparison between CFSP 2025/26 Ceilings and Approved Budget 2025/26

S/No	Revenue Stream	CFSP Ceiling 2025/26 (Ksh)	Approved Budget 2025/26 (Ksh)	Variation (Ksh)	% Variance
	A) UNSPENT BALANCE				
1	Balance at CRF, FY 2024/25	0	330,646,019	330,646,019	-
2	County Executive Refunds to CRF	0	14,916	14,916	-
3	County Assembly Refunds to CRF	0	4,479	4,479	-
	Sub-Total	**0**	**330,665,414**	**330,665,414**	-
	B) EQUITABLE SHARE OF REVENUE RAISED NATIONALLY				
1	Equitable Share from National Government	5,898,512,563	6,077,441,672	178,929,109	3.0%
	Sub-Total	**5,898,512,563**	**6,077,441,672**	**178,929,109**	**3.0%**
	D) ADDITIONAL ALLOCATIONS (INCLUDING GRANTS)				
1	Conditional Allocation – NAVCDP	231,250,000	231,250,000	0	0.0%
2	DANIDA Grant – Primary Health Care	6,930,000	16,620,000	9,690,000	139.8%
3	Add'l Allocation – Health Worker Salary Arrears	0	32,801,231	32,801,231	-

S/No	Revenue Stream	CFSP Ceiling 2025/26 (Ksh)	Approved Budget 2025/26 (Ksh)	Variation (Ksh)	% Variance
4	Add'l Allocation – Community Health Promoters	60,300,000	60,300,000	0	0.0%
5	FLLoCA – CCRI Grant	137,500,000	137,500,000	0	0.0%
	FLLoCA – CCIS Grant	11,000,000	0	-11,000,000	-100.0%
6	Aquaculture Business Dev. Project (ABDP)	10,020,000	10,020,000	0	0.0%
7	KDSP II – Level 1 Grant	37,500,000	75,000,000	37,500,000	100.0%
8	KDSP II – Level 2 Grant	352,500,000	352,500,000	0	0.0%
9	Kenya Urban Support – Institutional Grants	35,000,000	32,309,300	-2,690,700	-7.7%
10	Kenya Urban Support – Development Grants	52,595,562	58,869,660	6,274,098	11.9%
11	Unconditional Allocation – Court Fines & Mineral Royalties	2,142	2,142	0	0.0%
12	Conditional Allocation – Kenya Nutrition Support	0	5,000,000	5,000,000	-
13	Add'l Allocation – Road Maintenance Levy Fund (RMLF)	0	211,127,369	211,127,369	-
14	Chinese Embassy Grant	0	2,700,000	2,700,000	-
15	Housing Levy (0.5%) – Affordable Housing Committees	0	1,987,622	1,987,622	-
16	Global Fund – Drug Donations	0	27,708,590	27,708,590	-
17	UHC Salaries – Ministry of Health	0	53,609,990	53,609,990	-
	KCB VTC Scholarship Grant	20,000,000	0	-20,000,000	-100.0%
	Sub-Total	**954,597,704**	**1,331,371,161**	**376,773,457**	**39.5%**
	E) ORDINARY OWN SOURCE REVENUE (OSR)				
1	Ordinary Own Source Revenue (OSR)	687,211,519	712,487,161	25,275,642	3.7%
	Sub-Total	**687,211,519**	**712,487,161**	**25,275,642**	**3.7%**
	F) FACILITY IMPROVEMENT FUND/FINANCING (FIF)				
1	Health – Facility Improvement Fund (FIF)	630,000,000	913,227,036	283,227,036	45.0%
	Sub-Total	**630,000,000**	**913,227,036**	**283,227,036**	**45.0%**
	G) APPROPRIATION IN AID				
1	Appropriation in Aid	115,500,000	52,000,000	-63,500,000	-55.0%
	Sub-Total	**115,500,000**	**52,000,000**	**-63,500,000**	**-55.0%**

S/No	Revenue Stream	CFSP Ceiling 2025/26 (Ksh)	Approved Budget 2025/26 (Ksh)	Variation (Ksh)	% Variance
	GRAND TOTAL	**8,285,821,786**	**9,395,127,187**	**1,109,305,401**	**13.4%**



Analysis of Resource Basket

The approved supplementary budget rose from Ksh 8.286 billion projected under the CFSP 2025 to Ksh 9.395 billion — a net increase of Ksh 1.109 billion, or 13.4 percent. Three findings stand out beyond the headline growth figure:

Additional allocations and grants were the single largest driver of the upward revision, growing by Ksh 376.8 million (39.5 percent) to Ksh 1.331 billion. Much of this growth, however, came from one-off or previously unbudgeted items — the RMLF road maintenance allocation (Ksh 211.1 million), the UHC salary allocation (Ksh 53.6 million) and the Global Fund drug donations (Ksh 27.7 million) — none of which appeared in the original CFSP ceiling. This signals that a meaningful share of the county's "additional" resource envelope is confirmed only after the CFSP is tabled, which limits the CFSP's usefulness as a firm planning ceiling for conditional grants.

The Facility Improvement Fund (FIF) posted the largest proportional increase among recurring revenue lines, up 45.0 percent (Ksh 283.2 million) on the back of stronger-than-expected facility collections — a pattern consistent with rising health-service utilisation.

Appropriation in Aid (AiA) was the only category revised downward, falling by Ksh 63.5 million (55.0 percent) between the CFSP and the approved budget. Combined with the very weak AiA collection performance discussed in Section 2.4, this suggests the CFSP ceiling for AiA was already optimistic even before implementation began.

2.5 Comparison of CFSP and Approved Final Supplementary Budget Estimates 2025/2026

In this section, we delve into the adherence to the approved CFSP ceilings. Variations in the approved budget may arise since the budget is a live document that must adjust to reflect changing priorities and emerging factors. In the financial year under discussion, there were variations between the budget and approved CFSP.

Table 2.5 compares CFSP ceilings against the approved supplementary budget across sectors, broken down by Personnel Emoluments, Operations & Maintenance, and Development expenditure.

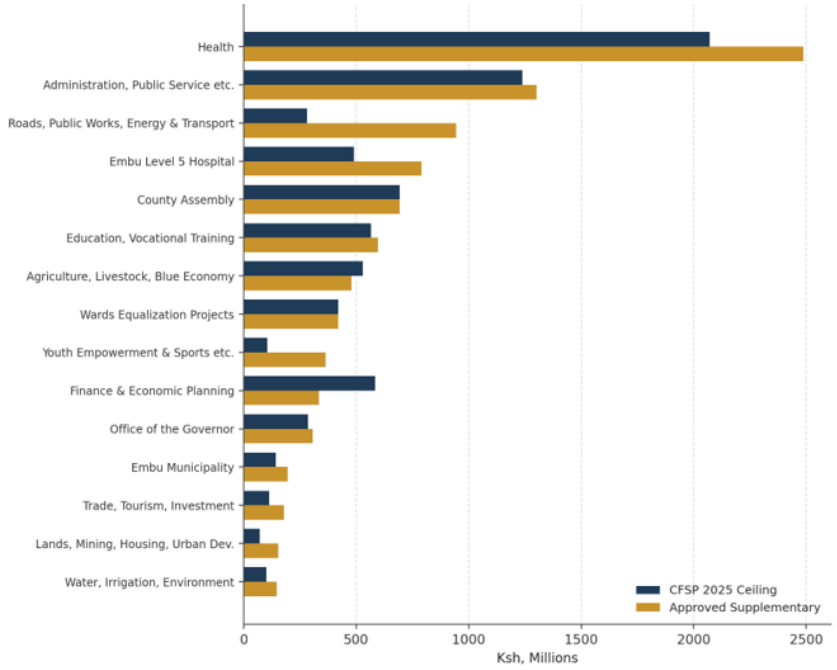
Table 2: Comparison of CFSP and Approved Budget Estimates for FY 2025/26 (Ksh, Millions)

Sector	Personnel Emolument			Operations and Maintenance			Development			Total		
	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance
Office of the Governor	192	192	0.0%	95	115	17.1%	-	-	0.0%	287	307	6.4%
Finance & Economic Planning	150	110	-36.4%	85	149	42.9%	350	75	-366.7%	585	334	-75.3%
Education, Vocational Training Centers	416	420	1.0%	55	28	-100.0%	95	151	36.9%	566	598	5.4%
Health	1,605	1,609	0.2%	266	449	40.8%	200	429	53.4%	2,071	2,487	16.7%

Sector	Personnel Emolument			Operations and Maintenance			Development			Total		
	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance
Embu Level 5 Hospital	-	-	0.0%	440	711	38.2%	50	78	35.9%	490	790	37.9%
Roads, Public Works, Energy & Transport	39	35	-11.4%	14	45	69.1%	230	863	73.3%	283	943	70.0%
Trade, Tourism, Investment, Industrial Dev. & Marketing	18	18	0.0%	6	18	67.2%	90	143	37.0%	114	179	36.3%
Agriculture, Livestock, Blue Economy & Co-op Dev.	228	175	-29.7%	42	53	21.0%	260	251	-3.5%	530	480	-10.3%
Lands, Mining, Housing, Physical Planning & Urban Dev.	45	45	0.0%	5	12	59.3%	21	97	78.4%	71	154	54.1%
Water, Irrigation, Environment, Climate Change & Nat. Resources	36	33	-9.0%	6	6	1.6%	60	108	44.4%	102	147	30.6%
Youth Empowerment, Sports, Gender, Culture & Social Services	30	30	2.2%	15	96	84.4%	60	238	74.8%	105	364	71.3%
Administration, Public Service, Devolution, Governance, ICT & GDU	664	656	-1.3%	218	291	25.0%	356	354	-0.4%	1,238	1,301	4.8%
County Public Service Board	19	30	35.2%	9	9	0.0%	-	-	0.0%	28	39	27.0%
County Assembly	360	351	-2.6%	294	303	3.0%	40	40	0.0%	694	694	0.0%
Embu County Revenue Authority	-	-	0.0%	15	24	37.3%	10	42	76.2%	25	66	62.1%

Sector	Personnel Emolument			Operations and Maintenance			Development			Total		
	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance	CFSP	Supplementary	% Variance
Climate Change Unit	-	-	0.0%	11	-	0.0%	190	297	36.1%	201	297	32.4%
Embu Municipality	39	28	-38.6%	51	52	1.8%	53	114	53.9%	143	195	26.5%
County Attorney	-	-	0.0%	17	20	17.3%	-	-	0.0%	17	20	17.3%
Wards Equalization Projects	-	-	0.0%	63	-	0.0%	357	-	0.0%	420	-	0.0%
TOTAL	**3,842**	**3,734**	**-2.9%**	**1,707**	**2,382**	**28.3%**	**2,421**	**3,280**	**26.2%**	**7,970**	**9,395**	**15.2%**

Figure 1: Sector Budget Allocation - CFSP vs Approved Supplementary Budget, FY 2025/26



Analysis of Fiscal Framework

At the aggregate level, Personnel Emoluments fell slightly (-2.9%) between the CFSP and the approved budget, while Operations & Maintenance and Development both rose sharply (+28.3% and +26.2% respectively), lifting the total approved budget by 15.2 percent overall. Sector-level movements were far more pronounced than the totals suggest:

• Roads, Public Works, Energy and Transport recorded the largest proportional increase (+70.0% overall), driven almost entirely by a near-quadrupling of its development ceiling from Ksh 230 million to Ksh 863 million — consistent with the RMLF allocation seen in Table 2.1.

• Youth Empowerment and Sports similarly grew 71.3 percent overall, with both O&M (+84.4%) and Development (+74.8%) more than doubling.

• Finance and Economic Planning was the only sector to shrink materially (-75.3% overall), with its development ceiling falling from Ksh 350 million to Ksh 75 million — a swing large enough to produce the anomalous –366.7 percent variance figure in the table (a mathematical artefact of a large base reduction, not a literal multiple). The practice in Embu County is that provisions for payment of pending bills are captured under the allocation for Finance and Economic Planning in the CFSP. During budgeting, the entries are posted to the respective departments where the pending bills arose. This explains the significant reduction in the development allocation for Finance and Economic Planning with corresponding increases in allocations to other departments.
• Health remained the single largest sector by allocation (Ksh 2.487 billion, 26 percent of the total budget), growing 16.7 percent overall, with Embu Level 5 Hospital's own allocation rising 37.9 percent on the strength of its development budget.

2.2 Revenue Performance in FY 2025/26

This section reviews actual revenue performance against the approved supplementary budget target for FY 2025/26.

Revenue from equitable share increased from 5,797,276,646 to 6,227,550,797 reflecting an increase of 430,274,151. This was a 7.4% growth in this revenue. All revenues emanating from National sources had a positive trend except County Climate Institutional Support (CCIS) Grant, Aquaculture Business Development Project and Kenya Urban Support Programme-Urban Institutional Grants. The Emergency Locust Response Project and Conditional Grant for Aggregated Industrial Parks Programme grants from national government ceased while the financing agreement for Conditional Allocation For Kenya Nutrition Support Grant lapsed

Table 1 Embu County Government FY 2025/2026 Revenues

DESCRIPTION OF REVENUE ITEM	RESOURCE BASKET FY 2024/2025	RESOURCE BASKET FY 2025/2026	VARIANCE
Equitable Share Of Revenue From National Government	5,797,276,646	6,227,550,797	430,274,1
Conditional Allocation for National Agricultural Value Chain Development Project (NAVCDP)	151,515,152	231,250,000	79,734,8
DANIDA Grant To Finance Primary Health Care in Devolved Context	14,484,000	24,474,000	9,990,000
Conditional Additional Allocation For the Basic Salary Arrears For County Government Health Workers	0	32,801,231	32,801,231
Conditional Additional Allocation for Community Health Promoters	37,603,527	60,300,000	22,696,473
Financing Locally Led Climate Action(FLLoCA)- County Climate Resilience Investment (CCRI) Grant	228,446,645	257,606,727	29,160,082
Financing Locally Led Climate Action(FLLoCA)- County Climate Institutional Support (CCIS) Grant	11,000,000	0	-11,000,000
Aquaculture Business Development Project (ABDP)	10,237,551	10,020,000	-217,551
Emergency Locust Response Project (ELRP)	104,600,000	0	-104,600,000
Second Kenya Devolution Support Programme (KDSP II)-Level 1 Grant	37,500,000	75,000,000	37,500,000
Second Kenya Devolution Support Programme (KDSP II) - Level 2 Grant	0	352,500,000	352,500,000
Kenya Urban Support Programme-Urban Institutional Grants	35,000,000	32,309,300	-2,690,700
Kenya Urban Support Programme- Urban Development Grants	52,595,562	111,465,222	58,869,660
Local Sources	827,376,039	712,487,161	-114,888,878
Appropriations In Aid (AiA)- Ministerial-Other	243,367,303	52,000,000	-191,367,303
Appropriations In Aid (AiA)-Health-Facility Improvement Fund (FIF)	476,048,899	913,227,036	437,178,137
Unconditional Allocations To County Governments From Court Fines And Mineral Royalties	2,142	2,142	0
Kenya Commercial Bank Vocational Training Centre Scholarship Grant	12,500,000	0	-12,500,000
Conditional Allocation For Kenya Nutrition Support Grant	10,437,406	5,000,000	-5,437,406
Conditional Additional Allocation For Maintenance Of County Roads From The Road Maintenance Levy Fund (RMLF)	211,127,369	211,127,369	0
Chinese Embassy Grant	2,700,000	2,700,000	0

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Make separation between budget and actuals.. like KDSP the amount should be 37,500,000 in each of the years. So the 7k million is overstated.

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Conditional Allocation from 0.5% of Housing Levy Fund to the County Rural And Urban Affordable Housing Committees	0	1,987,622	1,987,622
Unspent Funds For the Youth Climate Action Fund Grant	19,724,310	0	-19,724,310
Donations From International Organisations-Drugs Donated By Global Fund To Pubic Facilities	0	27,708,590	27,708,590
Conditional Grant for Aggregated Industrial Parks Programme	250,000,000	0	-250,000,000
Allocation For Salaries For Universal Health Care Employees From The Ministry Of Health	0	53,609,990	53,609,990
TOTAL REVENUE	**8,533,542,551**	**9,395,127,187**	**861,584,636**

Source: County Treasury

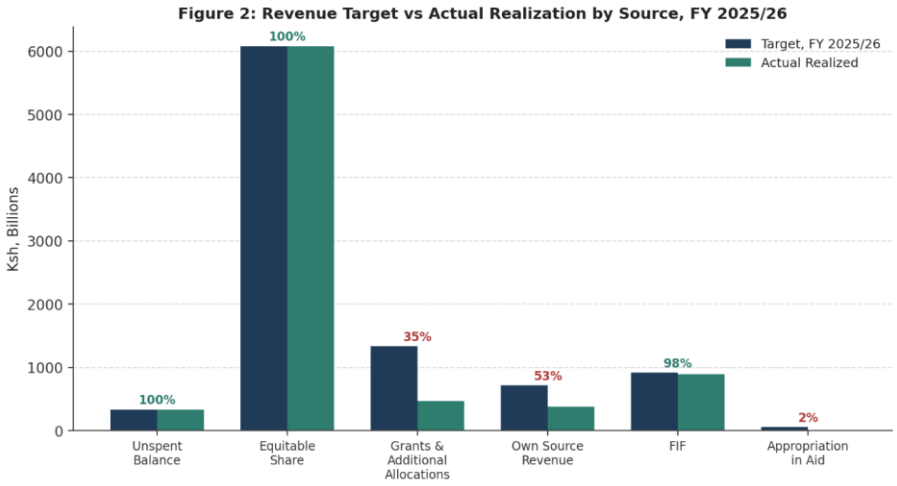
Table 2. sets out targeted revenue by stream — Equitable Share and Conditional Grants, local (own-source) revenue, and Appropriation in Aid — alongside amounts actually realized and the resulting variance.

Table 3: Revenue Performance in FY 2025/26

S/ No	Revenue Stream	Target (Ksh)	Actual Realized (Ksh)	Variance (Ksh)	% Variance	Remarks
	A) UNSPENT BALANCE FROM FY 2024/25					
1	Balance at CRF	330,646,019	330,646,019	0	0%	Funds in CRF
2	County Executive Refunds to CRF	14,916	14,916	0	0%	Funds in CRF
3	County Assembly Refunds to CRF	4,479	4,479	0	0%	Funds in CRF
	Sub-Total	**330,665,414**	**330,665,414**	**0**	**0%**	
	B) EQUITABLE SHARE OF REVENUE RAISED NATIONALLY					
1	Equitable Share from National Government	6,077,441,672	6,077,441,672	0	0%	Disbursed to CRF
	Sub-Total	**6,077,441,672**	**6,077,441,672**	**0**	**0%**	
	D) ADDITIONAL ALLOCATIONS (INCLUDING GRANTS)					

S/ No	Revenue Stream	Target (Ksh)	Actual Realized (Ksh)	Variance (Ksh)	% Variance	Remarks
1	Conditional Allocation – NAVCDP	231,250,000	231,011,343	-238,657	0%	Balance not disbursed
2	DANIDA Grant – Primary Health Care	16,620,000	16,626,000	6,000	0%	Funds disbursed
3	Add'l Allocation – Health Worker Salary Arrears	32,801,231	0	-32,801,231	-100%	Managed by State dept for Health
4	Add'l Allocation – Community Health Promoters	60,300,000	0	-60,300,000	-100%	Disbursed directly to CHPs
5	FLLoCA – CCRI Grant	137,500,000	88,237,306	-49,262,694	-36%	Based on performance appraisal
6	Aquaculture Business Dev. Project (ABDP)	10,020,000	0	-10,020,000	-100%	Awaiting State dept for Agric direction
7	KDSP II – Level 1 Grant	75,000,000	70,503,589	-4,496,411	-6%	Exchange-rate variance
8	KDSP II – Level 2 Grant	352,500,000	0	-352,500,000	-100%	Awaiting disbursement decision
9	Kenya Urban Support – Institutional Grants	32,309,300	0	-32,309,300	-100%	Awaiting assessment
10	Kenya Urban Support – Development Grants	58,869,660	58,024,991	-844,669	-1%	Exchange-rate variance
11	Unconditional Allocation – Court Fines & Royalties	2,142	0	-2,142	-100%	Disbursed with ord. exchequer
12	Conditional Allocation – Nutrition Support	5,000,000	0	-5,000,000	-100%	Programme phase lapsed
13	Add'l Allocation – RMLF Roads	211,127,369	0	-211,127,369	-100%	Awaiting court determination
14	Chinese Embassy Grant	2,700,000	0	-2,700,000	-100%	Direct grant
15	Housing Levy – Affordable Housing Committees	1,987,622	0	-1,987,622	-100%	Conditional funding

S/ No	Revenue Stream	Target (Ksh)	Actual Realized (Ksh)	Variance (Ksh)	% Variance	Remarks
16	Global Fund – Drug Donations	27,708,590	0	-27,708,590	-100%	Donations received in kind
17	UHC Salaries – Ministry of Health	53,609,990	0	-53,609,990	-100%	Funds managed by State dept for Health
	Sub-Total	**1,331,371,161**	**464,403,229**	**-866,967,932**	**-65%**	
	E) ORDINARY OWN SOURCE REVENUE (OSR)					
1	Ordinary Own Source Revenue (OSR)	712,487,161	378,334,825	-334,152,336	-47%	Revenue underperformance
	Sub-Total	**712,487,161**	**378,334,825**	**-334,152,336**	**-47%**	
	F) FACILITY IMPROVEMENT FUND/FINANCING (FIF)					
1	Health – Facility Improvement Fund (FIF)	913,227,036	893,240,733	-19,986,303	-2%	Channeled via FIF Account
	Sub-Total	**913,227,036**	**893,240,733**	**-19,986,303**	**-2%**	
	G) APPROPRIATION IN AID					
1	Appropriation in Aid	52,000,000	1,148,679	-50,851,321	-98%	Revenue underperformance
	Sub-Total	**52,000,000**	**1,148,679**	**-50,851,321**	**-98%**	
	GRAND TOTAL	**9,395,127,187**	**8,145,234,552**	**-1,249,892,635**	**-13%**	



Analysis of Revenue Peformance

The County realised total revenue of Ksh 8.145 billion against a target of Ksh 9.395 billion — a shortfall of Ksh 1.250 billion, or 13 percent. Performance, however, was highly uneven across revenue categories, and the aggregate shortfall masks two very different stories:

Reliable sources performed at or near 100 percent. The Equitable Share (Ksh 6.077 billion) and the brought-forward unspent balance (Ksh 330.7 million) were both fully realised, confirming that nationally-disbursed and previously-banked funds remain dependable. The FIF also performed strongly at 98 percent (Ksh 893.2 million of Ksh 913.2 million).

Discretionary and locally-generated sources performed poorly. Additional allocations and grants achieved only 35 percent (Ksh 464.4 million of Ksh 1.331 billion) — a Ksh 867.0 million shortfall — because the majority of individual grant lines (11 of 17) recorded zero disbursement. Own-Source Revenue reached just 53 percent (Ksh 378.3 million of Ksh 712.5 million), and Appropriation in Aid collapsed to 2 percent (Ksh 1.15 million of Ksh 52 million).

2.3 Local Revenue Performance

The total budgeted local revenue for FY 2025/2026 Year was Kshs.1,677,714,201, comprising:

i. Kshs. 764,487,165 from Own Source Revenue (OSR), and
ii. Kshs. 913,227,036 from Health Facilities (AiA).

Embu County did not achieve the revenue targets as anticipated. Revenue performance had a negative variance between budgeted and actual revenue to a tune of Kshs.407,357,665 translating to an overall budget realization of 75.7%. This was witnessed across the two main revenue categorizations and can be broadly outlined as follows:

i. Actual OSR collection was Kshs. 379,362,354, representing 50% budget realization.
ii. Actual FIF collection was Kshs. 890,994,182 representing 98% budget realization.

Table 3 below disaggregates Own Source Revenue (OSR) performance by individual revenue stream, comparing the FY 2025/26 projection with actual collections and the resulting achievement rate.

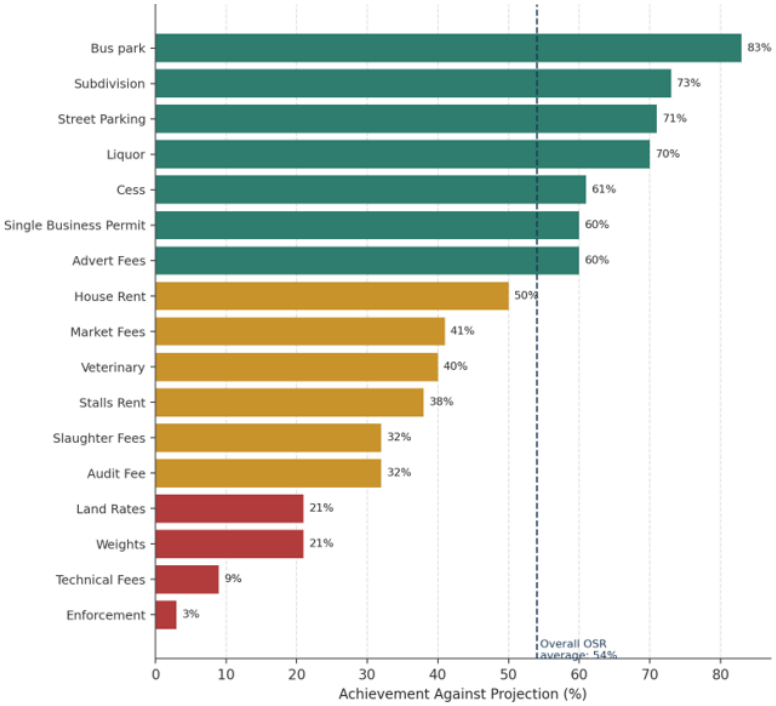
Table 3 Own Source Revenue Performance For 2025/2026

Revenue Stream	2024/2025 Actual (Kshs)	2025/2026 Actual (Kshs)	Projection 2025/2026 (Kshs)	Achievement against Projection (%)
Stalls Rent	7,723,111	7,237,720	18,894,463	38%
Market Fees	21,746,455	17,937,353	44,039,727	41%
Buspark	30,082,551	30,922,300	37,078,608	83%
Street Parking	19,249,565	21,238,630	30,117,490	71%
Sbp	119,974,512	104,097,293	174,011,288	60%
Cess	69,346,435	67,099,769	110,000,004	61%
Land Rates	14,995,910	14,624,101	70,329,408	21%
Subdivision	17,925,568	17,888,500	24,468,272	73%
Enforcement	681,020	336,400	12,562,700	3%
Technical Fees	6,360,579	3,467,760	37,621,445	9%
Advert Fees	36,923,133	40,747,130	67,948,481	60%
Slaughter Fees	1,243,880	814,600	2,557,145	32%
Miscellaneous	76,300		0	0%
Liquor	42,954,101	42,247,300	60,033,507	70%

Coffee Pulping	49,834	148,000	0	0%
Audit Fee	257,984	184,892	584,127	32%
House Rent	7,181,398	5,013,037	10,006,363	50%
Weights	1,023,940	1,064,600	5,130,955	21%
Veterinary	3,131,189	2,817,250	7,103,182	40%
ECO-Toilets		327,040		0%
Cemetry	2,200	0	0	0%
LOCAL SOURCES Total	**400,929,665**	**378,213,675**	**712,487,165**	**54%**
Youth Empowerment	658,050	938,000	15,000,000	6%
Ams	1,000		3,000,000	0%
ECDE Approvals/Inspection	0		5,000,000	0%
Borehole drilling charges	0		8,000,000	0%
Environment & Conservancy Administration fees	0		20,000,000	0%
Library Services	326,000	210,679	1,000,000	21%
AIA Total	**985,050**	**1,148,679**	**52,000,000**	**2%**
TOTALS	**401,914,715**	**379,362,354**	**764,487,165**	**50%**
Health Facilities	497,318,867	867,517,043	891,827,040	98%
Public Health	20,431,829	23,477,139	21,399,996	110%
FIF Total	**517,750,696**	**890,994,182**	**913,227,036**	**98%**
Totals	**919,665,411**	**1,270,356,536**	**1,677,714,201**	**76%**

Source: County Treasury

Figure 2: Own Source Revenue Streams - Performance, FY 2025/26



Analysis of Own Source Revenue

Overall, the County collected Ksh 378.3 million against an OSR projection of Ksh 712.5 million, or 54 percent achievement, but performance ranged from 3 percent to 83 percent depending on the stream:

• Best performers — Bus Park (83%), Subdivision (73%), Street Parking (71%) and Liquor (70%) — are streams with a narrow, identifiable payer base and point-of-service collection, which appears to make them easier to enforce.

• Weakest performers — Enforcement (3%), Technical Fees (9%), Land Rates and Weights (21% each), and Slaughter and Audit Fees (32% each) — are streams that typically require active field enforcement, billing of dispersed ratepayers, or valuation-roll updates. Land Rates is particularly significant given its large projection (Ksh 70.3 million) relative to what was actually billed and collected (Ksh 14.6 million), a gap of Ksh 55.7 million.

• Single Business Permit and Cess, the two largest revenue lines by projected value (Ksh 174.0 million and Ksh 110.0 million respectively), each achieved only around 60 percent, together accounting for a combined shortfall of Ksh 112.9 million — more than a third of the entire OSR gap.

2.4 Revenue Performance of Appropriation in Aid (AiA)

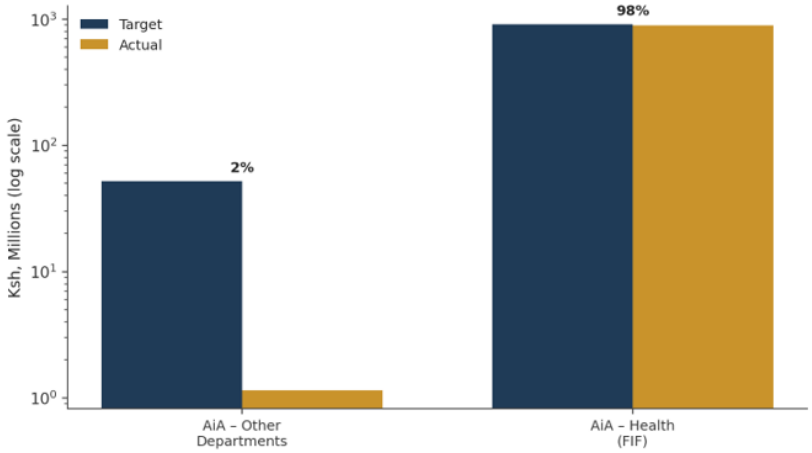
Table 4 presents Appropriation in Aid (A-i-A) performance against approved targets for FY 2025/26, covering collections by County departments (youth empowerment, education, environment, and library services) and by health facilities under the Facility Improvement Fund.

Table 4: Appropriation in Aid Performance, FY 2025/26

Department / Facility	Target (Ksh)	Achieved (Ksh)	Achievement (%)
Youth Empowerment	15,000,000	938,000	6%
AMS Machang'a	3,000,000	0	0%
ECDE Approvals / Inspection	5,000,000	0	0%
Borehole Drilling Charges	8,000,000	0	0%
Environment & Conservancy Admin. Fees	20,000,000	0	0%
Library Services	1,000,000	210,679	21%
AiA – OTHERS (Sub-Total)	**52,000,000**	**1,148,679**	**2%**
Embu Level 5 Hospital	645,000,000	650,540,416	101%
Runyenjes Level 4	28,620,000	28,174,561	98%
Siakago Level 4	21,440,004	17,435,040	81%
Ishiara Level 4	25,599,996	26,075,748	102%
Kianjokoma Level 4	12,650,004	10,914,904	86%
Kiritiri Level 4	8,850,000	2,095,274	24%
Gategi Level 4	11,199,996	9,450,482	84%

Department / Facility	Target (Ksh)	Achieved (Ksh)	Achievement (%)
Level 3 Facilities	40,550,004	47,000,509	116%
Level 2 Facilities	97,917,036	78,076,660	80%
Public Health	21,399,996	23,477,139	110%
AiA Health (FIF) Total	**913,227,036**	**893,240,733**	**98%**
GRAND TOTAL (AiA – Others + Health)	**965,227,036**	**894,389,412**	**93%**

Figure 3: Appropriation in Aid – Non-Health vs Health (FIF), FY 2025/26



Analysis Revenue Performance of Appropriation in Aid (AiA)

Non-health AiA performance was almost negligible — just Ksh 1.15 million collected against a Ksh 52 million target (2 percent). Four of six departmental revenue lines (AMS Machang'a, ECDE approvals, borehole drilling charges, and Environment & Conservancy Administration fees)

recorded zero collection, while Youth Empowerment and Library Services managed only 6 percent and 21 percent respectively.

Health-related AiA performed significantly differently from the other AiA. The Facility Improvement Fund achieved 98 percent overall (Ksh 893.2 million of Ksh 913.2 million), and several individual facilities exceeded their targets outright — Level 3 facilities at 116 percent, Ishiara Level 4 at 102 percent, Public Health at 110 percent and Embu Level 5 Hospital at 101 percent. Kiritiri Level 4 (24 percent) is a clear outlier on the downside and warrants closer review of its collection or reporting processes.

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2.5 Financial Year 2025/2026 Fiscal Performance in relation to Financial Objectives and Fiscal responsibilities.

During FY 2025/2026, total expenditure amounted to Kshs 7.85 billion against an approved budget of Kshs 9.40 billion, translating to an absorption rate of 83.5%. This represented a 16.6% increase from Kshs 6.73 billion recorded in FY 2024/2025. Expenditure absorption was strongest in wages and salaries (94.8%), transfers to the County Assembly (100%) and FIF (100%).

Development expenditure absorption stood at 76.7%, while conditional grant-funded development expenditure recorded 42.8%. This highlights the need to strengthen project implementation, procurement planning and timely utilization of conditional grant resources. The overall unspent budget of Kshs 1.55 billion underscores the importance of addressing implementation bottlenecks to improve budget execution and service delivery. Table 5 below gives a presentation of expenditure performance based on economic classification for the year under review.

EXPENDITURE PERFORMANCE

Table 5. FY 2025/2026 Expenditure by Economic Classification

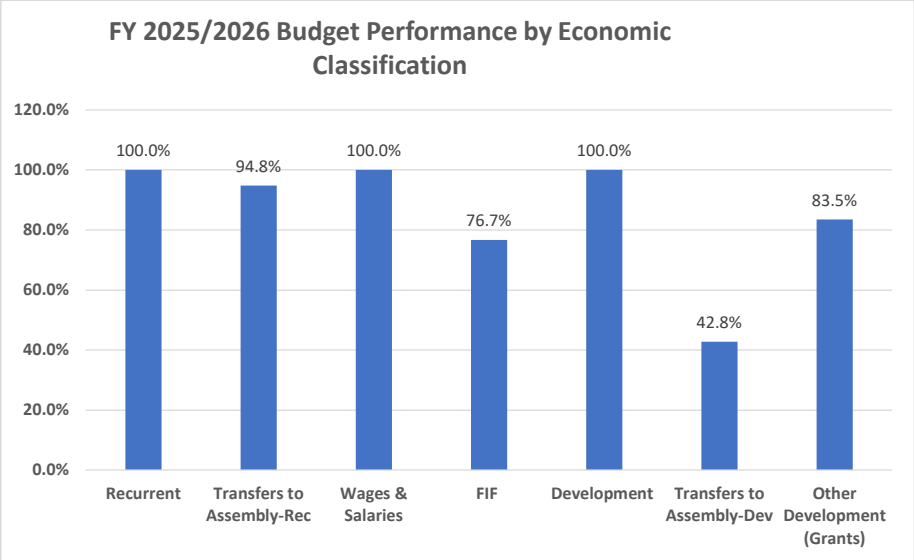
S/No.	Economic Item	FY 2024/2025 Actuals-Kshs.	FY 2025/2026 Actuals-Kshs.	FY 2025/2026 Budget-Target-Kshs.	Budget Absorption Gap-Kshs.	% Performance
1	Recurrent	533,014,964	955,795,130	1,165,492,876	209,697,746	82.0%
2	Transfers to the County Assembly-Recurrent	745,079,193	653,997,909	653,997,909	0	100.0%
3	Wages & Salaries	3,310,297,100	3,207,439,531	3,382,659,429	175,219,898	94.8%
4	FIF	517,750,696	913,227,036	913,227,036	0	100.0%
5	Development	1,414,786,699	1,560,019,218	2,034,935,469	474,916,251	76.7%
6	Transfers to the County Assembly-Development	8,248,880	40,000,000	40,000,000	0	100.0%
7	Other Development Expenditures (Conditional Grants)	200,064,348	515,658,884	1,204,814,468	689,155,584	42.8%
Total		**6,729,241,880**	**7,846,137,708**	**9,395,127,187**	**1,548,989,479**	**83.5%**

Source: *Embu County Treasury*

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The same is also illustrated by the graph below mapping expenditure performance across the various economic classifications, highlighting the respective budget absorption rates for FY 2025/2026.

Figure 5: FY 2025/2026 Budget Performance by Economic Classification



Analysis of Expenditure Performance.

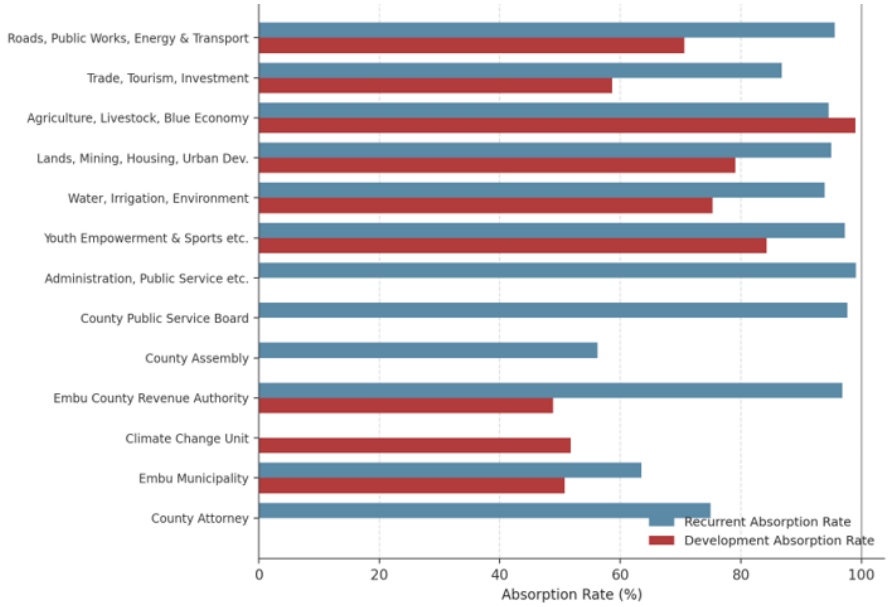
Table 6 below sets out actual expenditure against the supplementary budget for FY 2024/25 by department, split between Recurrent and Development votes, together with the resulting absorption rate – the share of the approved budget that was actually spent.

Table 6: Expenditure and Budget Absorption Rate under FY 2025/2026 (Ksh, Millions)

Department	**Recurrent**			**Development**		
	Supplementary Budget	**Expenditure**	**Absorption Rate**	**Supplementary Budget**	**Expenditure**	**Absorption Rate**
Office of the Governor	307	301	98.2%	-	-	-
Finance & Economic Planning	259	257	99.1%	75	75	100.0%
Education, Vocational Training Centers	448	447	99.8%	151	127	84.6%
Health	2,684	2,445	91.1%	429	317	73.9%
Embu Level 5 Hospital	86	3	3.8%	78	23	29.7%

Department	Recurrent			Development		
	Supplementary Budget	Expenditure	Absorption Rate	Supplementary Budget	Expenditure	Absorption Rate
Roads, Public Works, Energy & Transport	80	77	95.6%	863	609	70.6%
Trade, Tourism, Investment, Industrial Dev. & Marketing	36	32	86.8%	143	84	58.6%
Agriculture, Livestock, Blue Economy & Co-op Dev.	229	216	94.6%	251	249	99.0%
Lands, Mining, Housing, Physical Planning & Urban Dev.	57	54	95.0%	97	77	79.1%
Water, Irrigation, Environment, Climate Change & Nat. Resources	39	37	93.9%	108	81	75.3%
Youth Empowerment, Sports, Gender, Culture & Social Services	126	123	97.2%	238	201	84.3%
Administration, Public Service, Devolution, Governance, ICT & GDU	947	938	99.1%	354	0.45	0.1%
County Public Service Board	39	38	97.7%	-	-	-
County Assembly	654	368	56.2%	40	-	0.0%
Embu County Revenue Authority	24	23	96.8%	42	21	48.8%
Climate Change Unit	-	-	-	297	154	51.8%
Embu Municipality	80	51	63.5%	114	58	50.8%
County Attorney	20	15	75.0%	-	-	-
TOTAL	**6,115**	**4,531**	**74.1%**	**3,280**	**2,076**	**63.3%**

Figure 7: Budget Absorption Rates by Department, FY 2025/26



Analysis (it always good to say what you are analyzing)…

Overall absorption stood at 74.1 percent for Recurrent expenditure and 63.3 percent for Development expenditure — both below full 28tilization, with development lagging notably behind recurrent spending, a common pattern where capital projects face procurement and implementation delays. Several individual results stand out as areas needing attention:

• Embu Level 5 Hospital's recurrent absorption of just 3.8 percent (Ksh 3 million spent of Ksh 86 million budgeted) is the most striking outlier in the entire chapter and merits urgent investigation — whether this reflects a reporting or reclassification issue (e.g., hospital recurrent costs booked elsewhere) or an actual failure to spend, the gap is too large to pass without explanation.

• Administration, Public Service, Devolution, Governance, ICT and GDU recorded only 0.1 percent development absorption (Ksh 0.45 million of Ksh 354 million), effectively meaning its entire development programme for the year did not proceed.

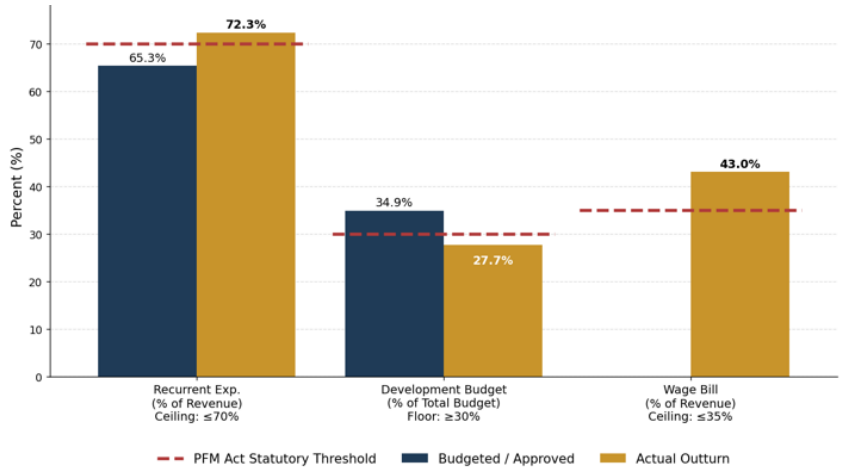
• County Assembly recurrent absorption was 56.2 percent and its Ksh 40 million development budget was entirely unspent (0.0 percent) — together representing over Ksh 326 million in unspent recurrent and development allocations for that vote alone.

• Health overall absorbed only 91.1 percent of its recurrent budget despite being the largest sector by allocation, which, combined with the Embu Level 5 Hospital figure above, suggests the health sector's headline budget growth (Table 2.5) has not yet translated into proportionate spending.

2.6 County Government's Compliance with Fiscal Responsibility Principles

In accordance with the Public Finance Management (PFM) Act, 2012 and the PFM Regulations, 2015, and in the spirit of prudent and transparent management of public resources, the County Government's performance is assessed below against three statutory fiscal responsibility principles.

Figure 4: Compliance with Fiscal Responsibility Principles, FY 2025/26



Recurrent Expenditure as a Percentage of Total Revenue

In FY 2025/26, the approved recurrent allocation of Ksh 6,115 million against total targeted revenue of Ksh 9,365 million represented 65.3 percent. Actual recurrent expenditure of Ksh 5,424 million against total expenditure of Ksh 7,500 million represented 72.3 percent, an absorption of 88.7 percent of the recurrent budget.

The approved budget is within the 70 percent ceiling on recurrent spending, but the actual outturn exceeds it by 2.3 percentage points. The breach arises largely because development spending fell well short of its allocation, which raised the recurrent share of total expenditure.

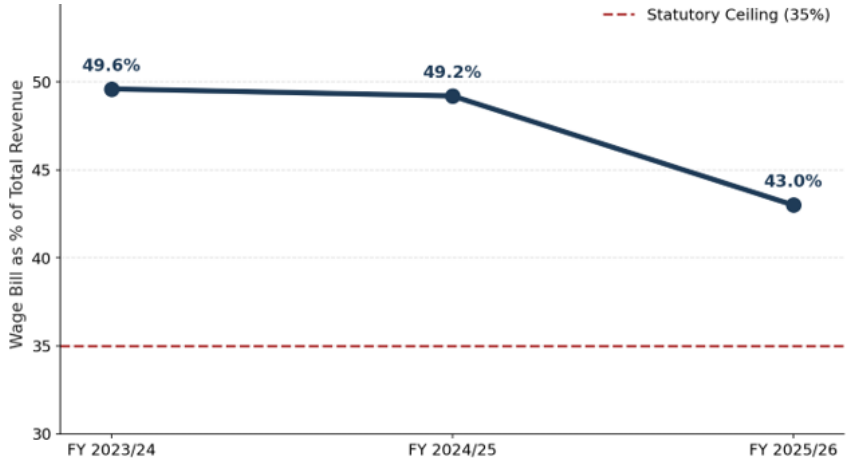
Development Expenditure as a Percentage of Total Budget

The approved development budget of Ksh 3,280 million represented 34.9 percent of the total approved budget, above the 30 percent statutory floor. Actual development expenditure was Ksh 2,076 million, or 27.7 percent of total expenditure, which is 2.3 percentage points below the floor. Development absorption was 63.3 percent, leaving Ksh 1,204 million of the allocation unspent.

Expenditure on Personnel Emoluments

The PFM (County Governments) Regulations, 2015 cap expenditure on wages and benefits at 35 percent of total revenue. In FY 2025/26, expenditure on personnel emoluments represented 43.0 percent of total revenue — above the statutory ceiling by 8.0 percentage points, and the only one of the three principles on which the County is not compliant.

Figure 5: County Wage Bill Trend Towards PFM Compliance



The wage bill was broadly flat between FY 2023/24 and FY 2024/25, easing only marginally from 49.6 percent to 49.2 percent of revenue, before falling more sharply to 43.0 percent in FY 2025/26. Over the two years, the gap to the 35 percent ceiling narrowed from 14.6 percentage points to 8.0 points. The County attributes the elevated wage bill partly to factors outside its control, particularly

a revenue-sharing formula that does not adjust for inherited, non-discretionary devolved staffing costs.

PENDING BILLS

The total outstanding pending bills as at 30th June 2026 amounted to Kshs. 1.095 billion, down from Kshs. 1.603 billion in the previous financial year, representing a decline of Kshs. 508.44 million (31.7%). Development and recurrent pending bills decreased by 34.4% and 28.7%, respectively. Despite this improvement, the outstanding obligations continue to constrain fiscal flexibility and pose risks to service delivery and development implementation.

In FY 2026/2027, the County has provided for the settlement of pending bills amounting to Kshs. 402,991,263 under the Pending Bills Action Plan. The County will strengthen expenditure commitment controls, enhance own-source revenue mobilization and enforce prudent cash-flow management to facilitate the settlement of outstanding obligations and prevent the accumulation of new arrears.

The table below summarizes the settlement status of pending bills by category as at the close of FY 2025/2026;

Table 7. Settlement of pending bills in the FY 2025/2026 by category

Pending Bill Category	Outstanding As at 30th June 2025 (Kshs.)	Outstanding As at 30th June 2026 (Kshs.)	Net change	% Change
Recurrent Pending Bills (Goods & Services)	635,085,348	538,197,967	96,887,381	15.3%
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	119,644,457	0	119,644,457	100.0%
Recurrent Pending Bills (Staff Claims)	0	0	0	0.0%
Total Recurrent Pending Bills	**754,729,805**	**538,197,967**	**216,531,838**	**28.7%**
Development Pending Bills	**848,476,727**	**556,566,571**	**291,910,156**	**34.4%**
Total Pending Bills	**1,603,206,532**	**1,094,764,537**	**508,441,994**	**31.7%**

The total outstanding pending bills as at 30th June 2026 amounted to Kshs. 1.095 billion, compared to Kshs. 1.603 billion as at 30th June 2025, representing a decline of Kshs. 508.44 million (31.7%).

This reduction reflects progress in settling outstanding financial obligations, with development and recurrent pending bills declining by 34.4% and 28.7%, respectively. Despite this improvement, the residual stock of pending bills continues to exert pressure on the County's fiscal space, constrain cash-flow management and potentially impede service delivery and the implementation of development programmes. Going forward, the County will strengthen expenditure commitment controls, enhance own-source revenue mobilization and implement the Pending Bills Settlement Plan, while enforcing prudent expenditure management to prevent the accumulation of new arrears.

III. MACROECONOMIC DEVELOPMENTS REVIEW AND OUTLOOK

A. Global Economic Outlook

Global growth is projected to ease from 3.5 percent in 2025 to 3.0 percent in 2026, before rising to 3.4 percent in 2027. The 2026 slowdown reflects the Middle East conflict, which has raised energy costs, intensified inflation, disrupted supply chains and heightened geopolitical uncertainty. Recovery in 2027 is expected as energy markets stabilize, tensions ease, and investment and productivity gains associated with AI-driven technologies support activity. Nevertheless, growth will vary across countries. Energy exporters and economies linked to technology investment are expected to outperform energy importers with limited access to these gains.

Advanced economies are expected to grow by 1.7 percent in 2026 and 1.8 percent in 2027. Their prospects differ according to exposure to the Middle East conflict and participation in technology investment. Favorable terms of trade partly protect net energy exporters, while higher fuel costs place greater pressure on net importers. Technology-related activity should provide additional support where investment is concentrated. Growth in the United States is projected at 2.3 percent in 2026 and 2.2 percent in 2027, supported by fiscal policy, accommodative financing and technology investment. Growth in the Euro Area and United Kingdom is expected to remain weaker, then improve in 2027 as the energy shock subsides.

In Sub-Saharan Africa, growth is projected to slow from 4.5 percent in 2025 to 4.3 percent in 2026, before returning to 4.5 percent in 2027. Higher food and energy prices linked to the Middle East conflict, alongside reduced official development assistance, account for the near-term moderation. Their effects will differ among countries. More favorable external conditions should support recovery in 2027, although structural weaknesses, financing constraints and limited participation in AI-driven expansion will continue to restrict growth.

The outlook also depends on the persistence of the energy shock and the extent to which technological gains spread beyond early adopters. Countries facing high import bills may have less room to support households and firms, while uncertainty may delay private investment. These differences reinforce the need to assess headline growth alongside each economy's exposure to external price movements and financing conditions.

B. Kenya Economic Outlook

Kenya's economy remained resilient amid global pressures, growing by an average of 5.0 percent between 2022 and 2025, against 3.4 percent globally and 4.1 percent in Sub-Saharan Africa. Prudent economic management, structural reforms and diversification helped absorb external shocks. Real GDP growth accelerated to 5.3 percent in the first quarter of 2026 from 4.9 percent in the corresponding quarter of 2025, with all sectors expanding. Manufacturing, agriculture, accommodation and food services, finance, and real estate contributed to the broad-based performance.

The primary sector grew by 5.1 percent in the first quarter of 2026, compared with 5.7 percent a year earlier. Agriculture, forestry and fishing expanded by 4.9 percent, down from 5.3 percent. Tea, sugarcane and dairy output and horticultural exports benefited from favorable weather, productivity gains and export demand. Lower coffee production, reflecting its biennial cycle, and reduced fruit exports constrained growth. Mining and quarrying grew by 9.1 percent, compared with 12.7 percent, supported by soda ash and construction materials. A higher base and slower mineral production moderated its expansion.

Industry grew by 5.1 percent in the first quarter of 2026, up from 3.6 percent in the corresponding quarter of 2025. Manufacturing accelerated to 4.4 percent from 2.8 percent, supported by increased output of sugar, soft drinks, dairy products, assembled vehicles, galvanized sheets and cement, alongside greater credit to manufacturers. Construction grew by 6.6 percent from 4.5 percent, reflecting demand for cement, bitumen, iron and steel from public infrastructure and private building projects. Electricity and water supply expanded by 4.3 percent against 4.1 percent, as higher geothermal and hydro generation offset weaker thermal, wind and solar output.

Services grew by 5.0 percent in the first quarter of 2026, compared with 4.8 percent a year earlier. Transportation and storage-maintained growth of 3.6 percent, matching the corresponding quarter of 2025. Road transport, cargo throughput at the Port of Mombasa, and freight and passenger traffic on the Standard Gauge Railway supported activity. Accommodation and food services grew by 14.7 percent from 8.0 percent, benefiting from more international arrivals, improved air connectivity and stronger hospitality demand.

Information and communication expanded by 5.0 percent, compared with 5.5 percent a year earlier. Increased mobile voice traffic and international bandwidth use supported digital activity, while declining SMS use and mobile money transactions slowed overall growth. Financial and

insurance services grew by 6.3 percent from 5.3 percent, aided by lower interest rates, improved liquidity and increased private sector lending. Overall, growth remained broad-based, although slower expansion in agriculture and mining showed that performance varied across activities.

The contrasting sector results highlight the sources of resilience and the areas of moderation. Stronger manufacturing and construction supported industrial growth, while transport, tourism and finance sustained services. Agriculture continued to expand despite weaker coffee and fruit performance, and mining remained positive despite its slower pace. Increased geothermal and hydro generation also supported electricity supply. Together, these developments indicate that sustained investment, access to credit and diversified production helped maintain economic momentum, even as individual activities responded differently to market demand.

C. Local Economy: Embu County Context

At the local level, Embu County's rural economy directly mirrored the agricultural rebound seen nationally. The timely distribution of subsidized fertilizers paired with the County Government's strategic rollout of certified free crop seeds allowed local farmers to achieve record yields. These interventions significantly bolstered the county's household food basket reduced local food inflation and enhanced the aggregate purchasing power of Embu residents.

Inflation

Overall year-on-year inflation declined and has remained below the mid-point of the policy target range of 4.5 percent since June 2025. The year-on-year inflation rose to 6.6 percent in August 2026 compared to 4.5 percent in August 2025 This rise was primarily driven by international energy shock caused by Iran war alongside persistent food supply pressures and domestic cost hikes

Monetary policy management

Kenya's economy is expected to grow by 4.5% in 2026 according to the International Monetary Fund (IMF) and other economic sources. This growth reflects continued expansion across key sectors, including services, agriculture, manufacturing, and financial services. In the first quarter of 2026, real GDP grew by 5.3% with notable contributions from financial and insurance services (6.3%) information and communication (5.0%) and manufacturing (4.4%.)

The Kenya Shilling (KES) has maintained a stable trading posture against major international currencies. Aligned with the Central Bank of Kenya's accommodative monetary policy stance

commercial interest rates have trended downward opening up vital credit access for Embu's private sector and smallholder enterprises.

A. Risks to Fiscal Outlook

1. Lower-than-projected Equitable Share and Additional Allocations

Lower-than-projected equitable share and additional allocations pose a significant fiscal risk to Embu County because they may result in a shortfall in the resources available to finance planned programmes and projects. A reduction in expected transfers from the national government could constrain the County's ability to meet its development and recurrent expenditure obligations potentially leading to delayed implementation of projects and reduced service delivery. To mitigate this risk the County will undertake scenario planning and use conservative revenue and resource projections during budget preparation. The County will also undertake quarterly fiscal reforecasting to identify emerging resource gaps early and adjust expenditure plans accordingly.

2. Own-Source Revenue (OSR) Underperformance

Underperformance in own-source revenue presents a risk of cash-flow pressure and accumulation of pending bills. When actual collections fall below projected targets the County may experience difficulties in meeting its financial obligations and maintaining timely implementation of planned programmes. The County will mitigate this risk by establishing revenue targets at the individual revenue-stream level and strengthening digital revenue collection systems. Revenue enforcement, improved billing and regular reconciliation of collections against assessed revenues will also be enhanced to minimize revenue leakages and improve the predictability of cash flows.

3. Wage-Bill Pressure

Wage-bill pressure may constrain the County's fiscal space by increasing the proportion of resources committed to personnel emoluments thereby crowding out funds available for development programmes and operations and maintenance. Continued growth in the wage bill without corresponding improvements in productivity and available resources could therefore affect the County's capacity to finance priority investments. The County will mitigate this risk through

effective staffing plan controls, regular payroll audits and strengthened controls over recruitment and filling of vacancies. A medium-term wage strategy will also be implemented to ensure that personnel costs remain sustainable and aligned with the County's available fiscal resources.

4. Grant and Partner Disbursement Delays

Delays in the disbursement of grants and funds from development partners may adversely affect the timely implementation of programmes and projects that depend on these resources. Such delays can disrupt planned activities, affect project completion timelines and create implementation uncertainties. The County will mitigate this risk by clearly separating firm resources from contingent resources during planning and budgeting. Implementation of projects will also be linked to the achievement of agreed milestones and the actual availability of funds thereby reducing the risk of making commitments before the necessary resources are received.

5. Climate and Weather Shocks

Climate and weather shocks present a significant risk to the County's development and fiscal performance particularly through agricultural losses, damage to infrastructure and increased emergency expenditure. Extreme weather events may disrupt economic activities and require the County to redirect resources towards emergency response and rehabilitation. To mitigate this risk climate-risk screening will be integrated into the planning and implementation of programmes and infrastructure projects. The County will also strengthen contingency planning and promote the development of resilient infrastructure capable of withstanding climate and weather-related shocks.

6. Fuel and Commodity-Price Shocks

Changes in fuel and commodity prices may increase the cost of transport construction materials and other inputs required for service delivery and implementation of development projects. Significant price increases could therefore place pressure on the approved budget and result in cost overruns or reduced programme outputs. The County will mitigate this risk through sensitivity analysis during budget and project planning to assess the potential effects of price changes.

Procurement and cost-escalation trends will also be closely monitored to identify emerging pressures early and facilitate timely adjustments to implementation plans.

7. Pending Bills

The accumulation of pending bills poses a fiscal risk by reducing the County's available fiscal space and constraining the liquidity of suppliers and contractors. High levels of outstanding obligations may also affect the County's ability to implement new programmes and maintain confidence among service providers. To address this risk the County will maintain a verified and regularly updated register of pending bills and establish a clear payment plan based on available resources and prioritization criteria. Commitment controls will also be strengthened to ensure that new financial obligations are undertaken only when sufficient budgetary provision and resources are available.

8. Election-Related Implementation Pressures

Election-related implementation pressures may create risks to fiscal discipline particularly where there is increased pressure to accelerate commitments and implement programmes within shortened timelines. Such pressures may result in expenditure decisions that are not adequately aligned with approved budgets, procurement requirements or fiscal rules. The County will mitigate this risk by maintaining strict adherence to the approved budget, public procurement legislation and applicable fiscal rules. Early commencement of the annual budget process will also provide adequate time for planning, prioritization and implementation, thereby reducing the likelihood of rushed commitments and expenditure decisions.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2026/27 Budget

The County's 2026/2027 resource envelope is Ksh 10,254 million, comprising Ksh 9,468 million in proposed revenue and Ksh 786 million in unspent balances from 2025/2026. The Equitable Share remains the largest source of financing at Ksh 6,495 million, including Ksh 229 million in unspent balances. Other significant sources include Appropriations in Aid from the Health Facility Improvement Fund (FIF) at Ksh 1,064 million, local sources at Ksh 699 million and the Kenya Devolution Support Programme II Level-2 Grant at Ksh 705 million that is inclusive of funds that were not disbursed in 2025/2026.

The resource basket is further supported by several conditional and development-oriented allocations, including Ksh 314 million for FLLoCA/County Climate Resilience Investment, Ksh 242 million for the transition of UHC workers to permanent and pensionable terms, Ksh 211 million for maintenance of county roads through the Fuel Maintenance Levy Fund and Ksh 105 million under NAVCDP. Additional resources include Ksh 52 million under KDSP II Level-1, Ksh 111 million under the Kenya Urban Support Programme Urban Development Grants, and various health, nutrition, climate, and other grants. Overall, the resource framework demonstrates continued reliance on equitable share while leveraging conditional grants, local revenue, health-sector financing and accumulated balances to finance the Ksh 10,254 million 2026/2027 budget.

B. Fiscal Policy for FY 2027/28 and Medium-Term Budget

The County Government will continue to prioritize expenditure towards advancement of its transformative development agenda. The focus will be on enhancing the delivery of essential services, creating employment opportunities, improving the welfare of residents, promoting equity and reducing the cost of service delivery through the elimination of duplication, inefficiencies and wastage. These priorities will inform the allocation of resources and consequently influence the sectoral budget ceilings.

The Finance and Economic Planning Sector will continue to promote transparency, accountability and prudent management of public resources while closely monitoring the implementation of the County Integrated Development Plan (CIDP) 2023–2027. The County

will also strengthen revenue mobilization and administration through the continued operationalization and utilization of the new revenue management system.

The Education Sector will prioritize the expansion and improvement of Early Childhood Development Education (ECDE) infrastructure through construction of new classrooms, establishment of kitchens and renovation of existing facilities. Investment will also be directed towards modern sanitation facilities to enhance the health, safety and security of learners. In addition, Vocational Training Centers (VTCs) will be modernized through the construction of dormitories and workshops to improve the quality and capacity of vocational training.

The Health Sector will focus on improving access to affordable and quality preventive, curative and rehabilitative healthcare services. Key interventions will include provision of adequate medical supplies, specialized equipment and machinery as well as construction, upgrading and renovation of health infrastructure.

The Roads, Transport, Energy and Public Works Sector will prioritize improvement of the County Road network through upgrading earth and gravel roads to all-weather standards, opening feeder roads, and constructing bridges and drifts. The routine maintenance of existing roads will also be undertaken to enhance accessibility and connectivity.

The Trade, Investment, Tourism, Industrial Development and Marketing Sector will focus on creating a conducive business environment through construction and improvement of markets, including provision and maintenance of appropriate hygiene, waste management and sanitation facilities.

The Agriculture, Livestock, Blue Economy and Cooperative Development Sector will strengthen cooperative development and support farmers in value addition and access to markets, with the aim of increasing food production, improving nutrition security and enhancing livelihoods. Key interventions will include provision of subsidized fertilizer, provision of certified seeds and support for value addition initiatives to strengthen resilience and household incomes.

The department key development priorities include preparing the Integrated Strategy Urban Development Plan (ISUDP) and the Local Physical and Land Use Development Plan (LPLUDP) to guide orderly growth and land use. Further, the establishment and maintenance of recreational grounds and open spaces through greening and beautification. The department will also seek to upgrade roads to bitumen standard to improve infrastructure and connectivity

in urban areas. The purchase of land for future government development projects is also envisioned.

The Water, Irrigation, Environment, Climate Change and Natural Resources Sector will prioritize the provision of adequate, reliable, affordable and quality water services. Environmental management interventions will focus on maintaining a clean, healthy and sustainable environment, while climate action will be strengthened through implementation of measures aimed at enhancing resilience to the effects of climate change.

The Youth Empowerment, Sports, Gender, Culture and Social Services Sector will promote talent development and enhance competitiveness in sports and the creative industry. Youth empowerment initiatives will seek to stimulate economic opportunities and address emerging socio-economic challenges. The sector will also promote the dignity and welfare of persons with disabilities and older persons through training, networking and community-based programmes, while cultural initiatives will continue to promote, preserve and celebrate the County's heritage.

C. Revenue projections

The County's proposed resource basket for 2026/2027 amounts to Kshs. 10,254 million. The resource basket comprises of transfers from the National Government, conditional grants, local revenue, Appropriations-in-Aid (AiA), and other development-partner and programme-specific resources.

Table 11: Projected Revenues FY 2027/28-2029/30 MTEF period

Description	Approved Budget 2026/2027	Projections		
		2027/2028	2028/2029	2029/2030
Equitable Share of Revenue from National Government	6,495,451,625	6,820,224,206	7,161,235,417	7,519,297,187
Unconditional Allocation to County Governments from Courts Fines and Mineral Royalties	1,193,390	1,312,729	1,312,729	1,312,729
Conditional Allocation for National Agricultural Value Chain Development Expenditure (NAVCDP)	105,000,000	-	-	-
Conditional Allocation for the Transition of Universal Health Coverage (UHC) Workers Salary to Permanent and Pensionable Terms	241,766,294	241,766,294	241,766,294	241,766,294
Fred Hollows (Eye) Vision Impact Program (VIP)	4,000,000	4,000,000	4,000,000	4,000,000

Commented [JK5]: This grant is likely to continue…. Ask Mwita.

Commented [JK6]: You can also assume this will continue….

Commented [JK7]: You can also assume this will continue….

Commented [JK8]: You can also assume this will continue….

Commented [JK9]: You can also assume this will continue….

Description	Approved Budget 2026/2027	Projections		
		2027/2028	2028/2029	2029/2030
Building resilience and responsive health system (BREHS)	22,493,595	22,493,595	22,493,595	22,493,595
Building resilience and responsive health system (BREHS) in Kind	26,242,526	26,242,526	26,242,526	26,242,526
Conditional Additional Allocation for Community Health Promoters	60,300,000	60,300,000	60,300,000	60,300,000
Financing Locally Led Climate Action (FLLoCA)- County Climate Resilience Investment (CCRI) Grant	313,900,000	137,500,000	137,500,000	137,500,000
Kenya Devolution Support Programme II - Level -1 Grant	51,967,523	-	-	-
Kenya Devolution Support Programme II - Level -2 Grant	705,000,000	-	-	-
Kenya Urban Support Programme-Urban Institutional Grants	35,000,000	35,000,000	35,000,000	35,000,000
Kenya Urban Support Programme-Urban Development Grants	111,132,803	111,132,803	111,132,803	111,132,803
Conditional Allocation from 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	9,774,679	7,787,057	7,787,057	7,787,057
Local Sources	698,500,000	505,977,014	531,275,865	557,839,658
Appropriations in Aid (AiA)-Ministerial-Other	6,500,000	6,825,000	7,166,250	7,524,563
Appropriations in Aid (AiA)-Health (FIF)	1,064,187,519	1,117,396,895	1,173,266,740	1,231,930,077
Conditional Additional Allocation Maintenance of County Roads from Fuel Maintenance Levy Fund (RMLF)	211,127,369	211,127,369	211,127,369	211,127,369
Donations from International Organizations-Drugs Donated by Global Fund to Public Facilities	15,708,590	-	-	-
Conditional Allocation for Universal Health Care Employees from the Ministry of Health	65,622,000	65,622,000	65,622,000	65,622,000
Chinese Embassy Grant	2,500,000	2,500,000	2,500,000	2,500,000
Conditional Allocation for Kenya Nutritional Support	4,081,532	-	-	-
ECRA- Special Purpose	2,054,810	-	-	-
Total Revenue	**10,253,504,255**	**9,069,819,194**	**9,492,340,350**	**9,935,987,563**

Commented [JK10]: You can grow this projection…. Assume that the Housing level will continue and more will be collected by KRA in the coming years…

Commented [JK11]: You can scale this down to lik3 100 M

Commented [JK12]: Ask Mukundi what makes this figure… this could be about Malaria, TB …. Which will continue being supported by GF

Commented [JK13]: Why do you assume this will cease in subsequent years?

Commented [JK14]: Why do you assume this will cease in subsequent years?

Commented [JK15]: Why do you assume this will cease in subsequent years?

Commented [JK16]: Why do you assume this will cease in subsequent years?

Commented [JK17]: This is unspent funds… you can take it out

The Equitable Share of Revenue from National Government is overwhelmingly dominant by making up about 63.3% of total revenue in 2026/2027 and rising to roughly 75.7% by

2029/2030 as one-off conditional grants fall away. This is the county's fiscal backbone and the main driver of overall revenue growth. Local revenue sources comprising of local Sources plus AiA-Health/FIF and AiA-Ministerial collectively contribute about 17.3% of the total with AiA-Health (FIF) alone accounting for roughly 10.4%, underscoring continued reliance on national transfers over own-source revenue.

A notable feature is the roughly 9.3% drop in total revenue between 2026/2027 (KSh 1,025 million) and 2027/2028 (KSh 9,069 million) before recovering to KSh 9,935 million by 2029/2030. This dip is driven entirely by time-bound allocations expiring after 2026/2027 including NAVCDP (KSh 105M), the UHC Workers Salary transition (KSh 241.8M), both Kenya Devolution Support Programme II grants (over KSh 757M combined), UHC Employees allocation (KSh 65.6M), Kenya Nutritional Support (KSh 4.1M), and ECRA Special Purpose (KSh 2.05M).

The summary of local revenue table presents the county's own-source (local) revenue projections, distinct from national government transfers and conditional grants.

Table 12: Summary of Local Revenue Collection

Revenue Streams	**Approved Budget**	**Projections**		
	2026/2027	**2027/2028**	**2028/2029**	**2029/2030**
Local Sources	698,500,000	505,977,014	531,275,865	557,839,658
Appropriations In Aid (AiA)-Ministerial-Other	6,500,000	6,825,000	7,166,250	7,524,563
Appropriations In Aid (AiA)-Health-Facility Improvement Fund (FIF)	1,064,187,519	1,117,396,895	1,173,266,740	1,231,930,077
Total Revenue	**1,769,187,519**	**1,630,198,909**	**1,711,708,854**	**1,797,294,297**

The total local revenue for 2026/2027 stands at KSh 1,769 million but revised downwards to KSh 1,630 million in 2027/2028, KShs. 1,711 million in 2028/2029 and KSh 1,797 million in 2029/2030.

Appropriations in Aid from the Health sector (Facility Improvement Fund) is by far the dominant contributor accounting for roughly 68.5% of total local revenue. The projected FIF for FY 2026/2027 is KSh 1,064 million rising to KSh 1,231 million by 2029/2030. The local revenue raised directly by the county from sources such as levies, permits, cess and other local charges makes up the second-largest share at approximately 31.0% of the total with KSh 698 million in 2026/2027 but revised to KSh 557 million by 2029/2030. Appropriations in Aid from Ministerial-Other sources is comparatively negligible contributing only about 0.42% of total local revenue at KSh 6.5 million in 2026/2027 rising modestly to KSh 7.5 Million by 2029/2030.

Given the limited resources and the many competing needs, the County recognizes the importance of engaging diverse stakeholders to address the challenges it faces. Accordingly, the County intends to pursue the following strategies:

- Strengthen partnerships and collaborations with key stakeholders to mobilize additional resources for enhanced development outcomes.
- Enhance the capacity of the County revenue mobilization unit by adopting modern technologies, training staff to improve efficiency in revenue collection.
- Promote community participation and ownership of development initiatives through structured forums to ensure inclusivity and sustainability.
- Leverage technology and innovation by investing in digital platforms for service delivery, and data-driven decision-making to maximize efficiency and transparency.
- Strengthen financial management and accountability systems to build confidence among stakeholders and attract more investment.

The county government will enhance its engagement with development partners and the National Government to fund specific County Government development initiatives through loans and grants.

D. Expenditure Forecasts

Expenditure Projections in FY 2026/2027 budget

The overall expenditure for FY 2026/27 amounts to Ksh 10,253 million comprising of development expenditure at Ksh 3,390 million (33.1 percent) and recurrent expenditure at Ksh 6,863 million (66.9 percent). The recurrent expenditure comprises of remuneration of Kshs

4,028 million (39.3 percent) and operations and maintenance of Kshs 2,835 million (27.7 percent).

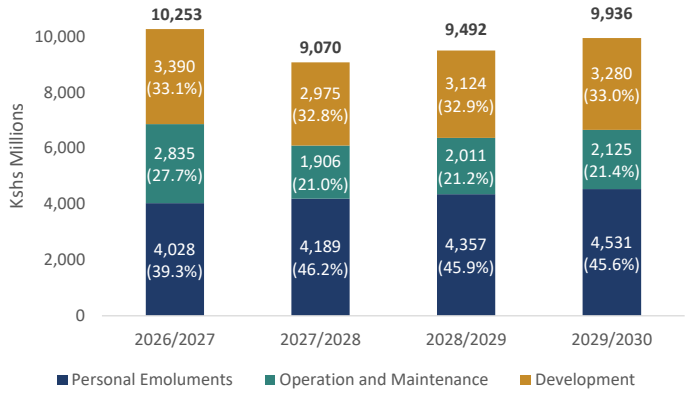
Table 13: Projected expenditures in Millions FY 2026/27-2028/29 MTEF period

Economic classification	**2026/2027**	**2027/2028**	**2028/2029**	**2029/2030**
Personal Emoluments	4,028	4,189	4,357	4,531
Operation and Maintenance	2,835	1,906	2,011	2,125
Development	3,390	2,975	3,124	3,280
Total Expenditure	**10,253**	**9,070**	**9,492**	**9,936**
Development Index	33.1%	32.8%	32.9%	33.0%
Emoluments Index	39.3%	46.2%	45.9%	45.6%
Operation and Maintenance Index	27.7%	21.0%	21.2%	21.4%

The total expenditure is projected to reach Ksh 9,936 million by 2029/30 when compared to Kshs 9,415 million in 2026/27 excluding the balances under 2025/26. This growth reflects the county's commitment to sustaining service delivery while progressively scaling up investments in development.

Recurrent expenditure, which includes personal emoluments and operation and maintenance, remains the largest spending component; though its share gradually reduces in favour of development. Personnel emoluments are projected to rise from Ksh 4,028 million in 2026/27 to Ksh 4,531 million in 2029/30, reflecting adjustments for salaries and benefits. In contrast, operation and maintenance costs are expected to decline in the medium term from Ksh 2,835 million in 2026/27 to Ksh 2,125 million in 2029/30. Development expenditure shows some slight decline from Ksh 3,390 million in 2026/27 to Ksh 3,280 million in 2029/30 due to the decline in donor related funding.

Figure 6: Expenditure in Millions by Economic Classification, FY 2026/27-2029/30



The Development Index which is a measure of the share of development spending against total expenditure shifts from 33.1% in 2026/27 to 33.0% in 2029/30. Meanwhile, the Emoluments Index increases from 39.3% 2026/27 to 45.6% in 2029/30 while operation and maintenance Index declines from 27.7% to 21.4%, reflecting the reduced proportion of resources allocated to running costs.

Overall, the expenditure projections illustrate a balanced fiscal strategy by maintaining essential recurrent obligations while progressively expanding development allocations to drive inclusive growth and sustainable service delivery.

Sector indicative ceilings

The County Government will continue with its policy of expenditure prioritization with a view to achieving the transformative development agenda which is anchored on provision of core services. This will minimize costs through the elimination of duplication, inefficiencies, and improving the general welfare of the people. Realization of these objectives will have implications in the budget ceilings to be provided in this Budget Review and Outlook Paper.

The following criteria will serve as a guide for allocating resources:

a) Completion of the ongoing projects
b) Completion of stalled projects
c) Linkage of the Programme with the objectives of CIDP and ADP
d) Pending bills

Table 14: Indicative Sector Ceilings for MTEF period FY 2026/27 – FY 2029/2030

	Approved Budget	Projections		
PORTFOLIO	**2026/2027**	**2027/2028**	**2028/2029**	**2029/2030**
Office of The Governor	327,341,980	333,527,516	349,065,029	365,379,417
Finance and Economic Planning	314,924,552	320,875,445	335,823,556	351,519,073
Education, Vocational Training Centers	709,346,746	722,750,740	756,420,373	791,773,487
Health	2,629,713,311	2,362,049,596	2,472,086,622	2,587,625,498
Roads, Public Works, Energy and Transport	1,071,342,039	1,091,586,387	1,142,438,376	1,195,832,964
Trade, Tourism, Investment, Industrial Development and Marketing	166,378,851	169,522,788	177,420,074	185,712,226
Agriculture, Livestock, Blue Economy and Cooperative Development	386,688,347	287,011,201	300,381,732	314,420,791
Lands, Mining Housing, Physical Planning and Urban Development	167,390,084	170,553,129	178,498,415	186,840,965
Water, Irrigation, Environment, Climate Change and Natural Resources	194,846,261	198,528,125	207,776,637	217,487,575
Youth Empowerment and Sports, Gender, Culture, Children And Social Services	308,331,866	314,158,182	328,793,367	344,160,311
Administration, Public Service, Devolution, Governance, ICT and GDU	1,659,320,844	919,404,416	962,235,239	1,007,207,602
County Public Service Board	40,244,514	41,004,984	42,915,218	44,920,963
County Assembly	685,515,348	698,469,018	731,007,477	765,172,858
Embu Level 5 Hospital	985,964,023	1,004,595,047	1,051,394,509	1,100,533,944
Embu County Revenue Authority	22,054,810	20,377,925	21,327,239	22,324,018
Climate Change Unit	353,900,000	180,854,085	189,279,244	198,125,662
Embu Municipality	207,200,679	211,115,995	220,950,918	231,277,587
County Attorney	23,000,000	23,434,614	24,526,325	25,672,621
TOTAL	**10,253,504,255**	**9,069,819,194**	**9,492,340,350**	**9,935,987,563**

The table presents the approved budget projections for the County Government for the period 2026/2027 to 2029/2030. The total approved budget is estimated at KSh 10,254 million in 2026/2027, declining to KSh 9,069 million in 2027/2028, before increasing to KSh 9,492 million in 2028/2029 and KSh 9,935 million in 2029/2030. Health receives the largest allocation throughout the projection period with KSh 2,630 million in 2026/2027 followed by

Commented [JK18]: Are these figures the same in your outer years in 2026/2025 budget?

Administration, Public Service, Devolution, Governance, ICT and GDU at KSh 1,659 million, and Roads, Public Works, Energy and Transport at KSh 1,071 million. Other significant allocations include Embu Level 5 Hospital, Education and Vocational Training, the County Assembly and Agriculture, Livestock, Blue Economy and Cooperative Development.

Overall, the projections indicate a general decline in allocations in 2027/2028 across all portfolios, followed by gradual recovery in 2028/2029 and 2029/2030. The pattern is broadly consistent across departments and entities due to the many donor funds exiting from the county kitty. Health and health-related services remain the dominant expenditure priority while administrative and infrastructure functions also account for substantial resources. Smaller allocations are projected for entities such as the County Public Service Board, Embu County Revenue Authority and County Attorney. By 2029/2030, the total projected budget is expected to reach KSh 9,935 million, which remains slightly below the 2026/2027 level. A visual representation of expenditure in FY 2026/2027 is provided:

Figure 7: Indicative Sector Ceilings, FY 2026/27

